DEC 29 1979

IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

No. ~~79~~-1023

POLYVEND, INC.,

Appellant,

vs.

THEODORE D. PUCKORIUS, and ILLINOIS DEPARTMENT OF ADMINISTRATIVE SERVICES,

Appellees.

ON APPEAL FROM THE SUPREME COURT OF ILLINOIS

JURISDICTIONAL STATEMENT.

RICHARD G. SCHULTZ,
30 North LaSalle Street,
Suite 3010,
Chicago, Illinois 60602,
(312) 368-8330,
Counsel for Appellant.

Of Counsel:
NICHOLAS J. ETTEN,
LORI STONE,
FORAN, WISS & SCHULTZ,
30 North LaSalle Street,
Suite 3010,
Chicago, Illinois 60602,
(312) 368-8330.

December 29, 1979

Gunthorp-Warren Printing Company, Chicago • Financial 6-6565

INDEX.

	PAGE
Opinions Below	2
Jurisdiction	2
Questions Presented	2
Constitutional and Statutory Provisions	3
Raising the Federal Questions	4
The Questions Are Substantial	8
Statement of the Case	6
Conclusion	23
Appendix	A1-A37

CITATIONS.

Cases.

Alaska Movers Association v. Brown, 445 F. Supp. 363, 364 (D. D. C. 1978) 11, 12
Baggett v. Bullitt, 377 U. S. 360 (1964) 20
Board of Regents v. Roth, 408 U. S. 564 (1972) 9
Boddie v. Connecticut, 401 U. S. 371, 378-9 (1971) 15
Callaghan & Co. v. Smith, 304 Ill. 532 (1922)..... 10
Champlin Refining Co. v. Corporation Commission of Oklahoma 286 U. S. 210 (1932) 20
Cline v. Frink Dairy Co., 274 U. S. 445 (1927)..... 20
Cummings v. Missouri, 71 U. S. 356 (1867)..... 17, 18, 19
Dement v. Rokker, 126 Ill. 174 (1888) 10
Ex Parte Garland, 71 U. S. 366 (1867) 19
Fuentes v. Shevin, 407 U. S. 67, 80-82 (1972) 15
Gonzalez v. Freeman, 334 F. 2d 570 (D. C. Cir. 1964).. ..... 11, 15, 16
Greene v. McElroy, 360 U. S. 474 (1959) 13
Hampton v. Mow Sun Wong, 426 U. S. 88 (1976) 13
Holden v. City of Alton, 179 Ill. 318 (1899) 10
Horne Brothers, Inc. v. Laird, 463 F. 2d 1268 (D. C. Cir. 1972) 12
Jones v. United States, 296 F. 2d 398 (D. C. Cir. 1961), *cert. den.* 370 U. S. 913 (1902) 21
Lanzetta v. State of New Jersey, 306 U. S. 451 (1939).. 21
Mackey v. Montrym, 995 Ct. 2612 (1979) 15
Meyer v. State of Nebraska, 262 U. S. 390 (1923) 13

Nixon v. Administrator of General Services, 408 F. Supp. 321 (D. D. C. 1976), *aff'd* 433 U S. 421 (1977).... 17
Peters v. Hobby, 349 U. S. 331 (1955) 19
Perry v. Sindermann, 408 U. S. 593 (1972) 9
Polyvend v. Puckorious, 61 Ill. App. 3d 163 (1978)..2, 10, 15
United States v. Brown, 381 U. S. 437 (1965) 17, 18
United States v. Lovett, 328 U. S. 303 (1946) 17, 18
United States v. Robel, 389 U. S. 258 (1967) 13
United States v. Tropiano, 418 F. 2d 1069 (2nd Cir. 1969) *cert. den.* 397 U. S. 1021 (1970) 13
Wilke, Inc. v. Dept. of the Army, 485 F. 2d 180 (4th Cir. 1973) 11

Statutes.

Ill. Rev. Stat., ch. 127, § 132.10-1 (§ 10-1) 3, 6, 7
Ill. Rev. Stat., ch. 127, § 132.2 9
Ill. Rev. Stat., ch. 127, § 132.4 10
Ill. Rev. Stat., ch. 127, § 132.6(a) 9, 10
Ill. Rev. Stat., ch. 127, § 132.6(e) 9, 10
Ill. Rev. Stat., ch. 127, § 132.11-2 9

IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

No.

POLYVEND, INC.,

Appellant,

vs.

THEODORE D. PUCKORIUS, and ILLINOIS DEPARTMENT OF ADMINISTRATIVE SERVICES,

Appellees.

ON APPEAL FROM THE SUPREME COURT OF ILLINOIS

JURISDICTIONAL STATEMENT.

The appellant, Polyvend, Inc. ("Polyvend"), appeals from the final judgment of the Supreme Court of Illinois entered on October 2, 1979, holding that Ill. Rev. Stat., Ch. 127, § 132.10-1 ("§ 10-1") does not violate the appellant's right to due process of law guaranteed by the Fourteenth Amendment to the United States Constitution, is not a bill of attainder prohibited by Article 1, § 10 of the United States Constitution, and does not violate the Fifth and Sixth Amendments to the United States Constitution.

OPINIONS BELOW.

The opinion of the Appellate Court of Illinois, which appears in the Appendix hereto, A9, is reported at 61 Ill. App. 3d 163, 377 N. E. 2d 1160 (1978).

The opinion of the Supreme Court of Illinois, dated October 2, 1979, is not yet reported. It is reprinted in the Appendix hereto, A16.

JURISDICTION.

The judgment of the Supreme Court of Illinois sustaining the constitutionality of Section 10-1 of the Illinois Purchasing Act, was entered on October 2, 1979. Appendix, A16.

A notice of appeal to this Court was duly filed in the Supreme Court of Illinois on November 20, 1979. Appendix, A35.

This appeal is being docketed in this Court within ninety (90) days from the date of entry of the judgment sought to be reviewed. The jurisdiction of this Court to hear the appeal is invoked under 28 U. S. C. § 1257(2).

QUESTIONS PRESENTED.

1. Whether Section 10-1 violates the Due Process Clause of the Fourteenth Amendment to the United States Constitution by authorizing a government agency to make a factual determination without notice or hearing that a bidder is chargeable with the criminal activity of another and to sanction the bidder by debarring it from bidding on all future government contracts.

2. Whether the equal opportunity to bid on government contracts and the right to pursue a lawful business is protected by the Due Process Clause of the Fourteenth Amendment to the United States Constitution.

3. Whether Section 10-1 constitutes a bill of attainder in violation of Article 1, Section 10 of the United States Constitution when applied to permanently disqualify a corporation from bidding on government contracts by summarily attributing to the corporation the criminal conduct of an individual.

4. Whether Section 10-1 is violative of the Due Process Clause of the Fourteenth Amendment because it is vague and indefinite and invalidly delegates legislative authority to an administrative official.

5. Whether Section 10-1 violates the Fifth, Sixth and Fourteenth Amendments to the United States Constitution when applied to attribute the criminal guilt of an individual to a corporation without providing for any of the substantive or procedural safeguards guaranteed by the Amendments.

CONSTITUTIONAL AND STATUTORY PROVISIONS.

Illinois Revised Statutes, ch. 127, § 132.10-1: ("10-1")

> No person or business entity shall be awarded a contract or sub-contract if that person or business entity: (a) has been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois in that officer or employee's official capacity; or (b) has made an admission of guilt of such conduct which is a matter of record but has not been prosecuted for such conduct.
>
> For purposes of this Section, where an official, agent, or employee of a business entity committed the bribery or attempted bribery on behalf of such an entity and pursuant to the direction or authorization of a responsible official

thereof, the business entity shall be chargeable with the conduct.

United States Constitution, Amendment XIV, § 1:

> No State shall . . . deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

United States Constitution, Article I, Section 10:

> No State shall . . . pass any Bill of Attainder, [or] ex post facto Law. . . .

United States Constitution, Amendment V:

> No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury . . . nor be deprived of life, liberty, or property, without due process of law. . . .

United States Constitution, Amendment VI:

> In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which district shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor, and to have the Assistance of Counsel for his defence.

RAISING THE FEDERAL QUESTIONS.

At the earliest stage of the proceedings in the state trial court the appellant raised the claim that the application of Section 10-1 renders the statute void under the Constitution of the United States. The Constitutional questions were raised in the complaint, memorandum filed in support of Polyvend's request for declaratory judgment (filed 5 days after the filing of the com-

plaint) and in the motion for summary judgment filed by Polyvend where it was alleged, *inter alia*:

> (a) the statute denies the appellant procedural due process guaranteed by the Due Process Clause of the Fourteenth Amendment to the United States Constitution;
>
> (b) the statute constitutes a bill of attainder in violation of Article 1, § 10 of the United States Constitution;
>
> (c) the statute is vague and indefinite and invalidly delegates legislative power to an administrative officer in violation of the Due Process Clause of the Fourteenth Amendment to the United States Constitution; and
>
> (d) the statute violates the Fifth, Sixth and Fourteenth Amendments to the United States Constitution for it attributes the criminal guilt of another to the appellant and is being applied retroactively. Appendix, A1 and 6.

On cross motions for summary judgment the trial court granted the appellees' motion and denied the appellant's motion, sustaining the constitutionality of Section 10-1 Appendix, A8. The appellant appealed from the trial court's denial of its motion for summary judgment, reasserting in its brief at the earliest stage of the appeal, its claim that the statute was repugnant to the aforesaid provisions of the Constitution of the United States. The Illinois Appellate Court reversed the decision of the trial court, holding the application of § 10-1 to the appellant to be unconstitutional under the Constitution of the United States on the grounds that it violated procedural due process guaranteed by the Fourteenth Amendment to the United States Constitution, without considering any of the other arguments advanced by the appellant. Appendix, A9.

The state then appealed to the Supreme Court of Illinois, claiming that Section 10-1 was not unconstitutional. The Illinois Supreme Court reversed the decision of the appellate court, upholding the validity of the statute against the appellant's claim that the application of the statute to Polyvend was repugnant

to the United States Constitution on the grounds asserted in the trial court and in the appellate court. Appendix, A16. The Illinois Supreme Court considered and expressly rejected the appellant's claims that the statute violates the Constitution of the United States.

STATEMENT OF THE CASE.

In 1974, J. Patrick Stoltz entered a plea of guilty to the offense of bribing an Illinois official in 1969. At the time of the offense Mr. Stolz was an officer of Metal Stamping Corporation, ("Metal Stamping") which was also indicted on the charge of bribing the Illinois public official. Metal Stamping was subsequently dismissed from the indictment.

In 1973, prior to the return of the indictment, Mr. Stoltz resigned as an officer of Metal Stamping.* The following year Polyvend, a wholly owned subsidiary of Metal Stamping, was merged into Metal Stamping and the name of the corporation was later changed to Polyvend. Subsequent to the 1974 conviction of Mr. Stoltz and prior to October 1, 1977, Metal Stamping and Polyvend were awarded contracts for the manufacture of the 1976, 1977 and the 1978 Illinois license plates. On September 26, 1977, Polyvend was awarded the 1978-1979 fiscal year Illinois license plate contract.

On October 12, 1977, Polyvend responded to an advertisement by the Illinois Department of Administrative Services and submitted a bid in the amount of $10,390,440 to manufacture the 1979 multi-year license plates for the State of Illinois. The state rejected the bid based upon a newly enacted amendment to the Illinois Purchasing Act effective October 1, 1977 which provides in pertinent part:

"No . . . business entity shall be awarded a contract . . . if that . . . business entity: (a) has been convicted of bribery [of] . . . an officer or employee of the State of Illinois. . . .

"For purposes of this Section, where an official, agent, or employee of a business entity committed the bribery . . . on behalf of such an entity and pursuant to the direction or authorization of a responsible official thereof, the business entity shall be chargeable with the conduct." § 10-1

* Mr. Stoltz died in 1977 after satisfying the terms of his sentence.

On October 26, 1977, without conducting any hearing, the state summarily rejected Polyvend's bid to manufacture the 1979 plates, finding Metal Stamping to be "chargeable with the conduct" (§ 10-1) of the criminal activity of Mr. Stoltz.

On October 28, 1977, Polyvend filed a complaint for declaratory judgment seeking a determination that § 10-1 violated the Constitution of the United States and the Constitution of the State of Illinois.* The complaint alleged, *inter alia,* that § 10-1 attributes the guilt of Mr. Stoltz to Metal Stamping by legislative fiat without providing for any rudiments of due process of law; it is an unconstitutional bill of attainder; it is vague and indefinite and violates the Fifth, Sixth and Fourteenth Amendments to the Constitution of the United States. The trial court held § 10-1 to be constitutional stating, "I must say that I have some reservations about the statute". The Illinois Appellate Court unanimously reversed, holding the statute unconstitutional in that it violates procedural due process guaranteed by the Fourteenth Amendment to the United States Constitution. The Supreme Court of Illinois reversed the Appellate Court, holding the statute to be constitutional. This appeal followed.

* The defendants, Theodore D. Puckorius, the director of the Illinois Department of Administrative Services, and the Illinois Department of Administrative Services are herein referred to as the "state."

THE QUESTIONS ARE SUBSTANTIAL.

The decision of the Supreme Court of Illinois sustaining the constitutionality of § 10-1 raises novel and substantial Constitutional questions.

This Court has never before considered the question of whether the Due Process Clause is violated where the criminal act of an officer, employee or agent of a corporation can be summarily attributed to the corporation without notice or hearing, resulting in a permanent debarment from future contracts with the state. The Court must also consider the question of whether a legislative act which taints a corporation with the criminal conduct of another and penalizes without trial constitutes a bill of attainder. The Court must also consider whether the statute is vague and indefinite, conferring unwarranted authority upon an administrative officer who is to make a determination of fact and decide what standard of proof is required in finding the bidder chargeable with the conduct of another. Finally, the Court must consider whether the attribution of the criminal guilt of an individual to a corporation, without providing for any procedural safeguards, violates the Fifth, Sixth and Fourteenth Amendments to the United States Constitution.

Resolution of these questions is essential for § 10-1 significantly affects the rights guaranteed under the Constitution of the United States as well as the substantive and procedural aspects of the economic relationship between the government and its citizens.

ARGUMENT.

I.

THE OPPORTUNITY TO BID ON A GOVERNMENT CONTRACT IS A PROPERTY INTEREST PROTECTED BY THE DUE PROCESS CLAUSE OF THE FOURTEENTH AMENDMENT.

A bidder has no right to a government contract: However, he is entitled to the equal opportunity to bid and to the protection of due process of law if that opportunity is denied. The Illinois Supreme Court incorrectly held the equal opportunity to bid is not a protectable property interest.

The Fourteenth Amendment procedural protections become operative when the government deprives a person of a protectable property interest. *Board of Regents* v. *Roth,* 408 U. S. 564 (1972). Property interests are created by existing rules stemming from state law. *Board of Regents* v. *Roth, supra* at 577; *Perry* v. *Sindermann,* 408 U. S. 593, 602, 603 (1972). An analysis of Illinois law clearly establishes that the opportunity to bid on government contracts constitutes a protectable property interest.

The Illinois Purchasing Act provides that the "purpose" of the Act and the "policy of the State" is "the principle of competitive bidding." Ill. Rev. Stat. ch. 127, § 132.2. The Purchasing Act also provides that all contracts "shall be awarded to the lowest responsible bidder" Ill. Rev. Stat. ch. 127, § 132.6(a).* To safeguard the right to compete for state contracts, the Act imposes punishment upon anyone who prevents competitive bidding. Ill. Rev. Stat. ch. 127 § 132.11-2. The Illinois competitive

* The Purchasing Act permits the award of a contract to a resident bidder who is not the lowest bidder by giving him a preference over foreign bidders. Ill. Rev. Stat. ch. 127, § 132.6(e).

bidding statutes are designed to permit anyone who is responsible and qualified to compete for a contract. *Dement* v. *Rokker*, 126 Ill. 174, 194-197 (1888); *Polyvend* v. *Puckorious*, Appendix, A. 28-29 (J. Clark, concurring). If the state rejects all bids the Purchasing Act requires readvertisement and award of the contract to the lowest responsible bidder. Ill. Rev. Stat. ch. 127, § 132.6 and § 132.4. The Illinois Supreme Court has declared the statutory requirement of competitive bidding

> "[n]ecessarily implies equal opportunity to and freedom in all whose interests or inclinations might thus impel them to compete at the bidding." *Dement* v. *Rokker*, 126 Ill. 174, 196 (1888). *Accord*, *Callaghan & Co.* v. *Smith*, 304 Ill. 532, 540-41 (1922); *Holden* v. *City of Alton*, 179 Ill. 318, 324 (1899).

The Illinois Appellate Court correctly held that § 10-1 deprives a bidder of a protectable property right:

> "The plaintiff did not simply lose a bid on a contract. The plaintiff has been forever barred from bidding on any contract based on a determination by an administrative agency without any procedural safeguards. The interest here is not merely a potential opportunity to perform a contract with the State of Illinois. Here the powers of government are directed toward an individual barring him from an opportunity to contract to supply goods and services to the government. This is a significant aspect of commercial life and the State's determination to absolutely bar participation in it requires procedural safeguards." (*Polyvend* v. *Puckorius*, 61 Ill. App. 3d 163, 167, 1978). (Appendix, A14.)

The Federal Courts have also recognized that disqualification from bidding is a deprivation of a protected property interest subject to the protection of procedural due process. Chief Justice Burger, while a member of the District of Columbia Circuit Court of Appeals, recognized the serious economic impact of disqualification from contracting with the government in *Gonzalez* v. *Freeman*, 334 F. 2d 570 (D. C. Cir. 1964).* Speaking on behalf of the Court, Chief Justice Burger stated that although a citizen has no "right in the legal sense of a legal right, to do business with the government" (p. 574) the bidder is entitled to challenge the evidence against him before being declared ineligible. The Court stated:

> "Thus to say that there is no 'right' to government contracts does not resolve the question of justiciability. Of course there is no such *right;* but that cannot mean that the government can act arbitrarily, either substantively or procedurally, against a person or that such person is not entitled to challenge the processes and the evidence before he is officially declared ineligible for government contract. An allegation of facts which reveal an absence of legal authority or basic fairness in the method of imposing debarment presents a justiciable controversy in our view. The injury to appellants alleged in their complaint gives them standing to challenge the debarment processes by which such injury was imposed." p. 574-75. (Emphasis in original.)

Justice Burger then considered the question of whether the absence of debarment procedures denies the bidder's right to due process of law, holding:

> "Disqualification from bidding or contracting for five years directs the power and prestige of government at a particular person and, as we have shown, may have a serious economic impact or that person. Such debarment cannot be left to administrative improvisation on a case-by-case basis. The governmental power must be exercised in accordance with accepted basic legal norms. Considerations of basic fairness require administrative regulations establishing standards for debarment and procedures which will include notice of specific charges, opportunity to present evidence and to cross-examine adverse witnesses, all culminating in administrative findings and conclusions based upon the record so made." (p. 578)

* In *Gonzalez*, there were no rules or regulations providing for notice, hearing, findings or any procedures to be followed in a debarment proceeding.

In *Horne Brothers, Inc.* v. *Laird,* 463 F. 2d 1268 (D. C. Cir. 1972), the Circuit Court of Appeals for the District of Columbia again considered the question of whether debarment from bidding on government contracts constitutes a protected property right entitling the bidder to due process of law. In that case the contractor was suspended and his bid rejected because of alleged unlawful activities in connection with work on prior government projects. The suspension and rejection of the bid occurred without prior notice or an opportunity to respond to the allegations of impropriety. The Court found the government's action constituted a clear denial of due process. It ruled that when the suspension of a contractor exceeds a period of more than one year, the government must insure that the contractor has been afforded the established protections of procedural due process.

> ". . . an action that 'suspends' a contractor and contemplates that he may dangle in suspension for a period of one year or more, is such as to require the Government to insure fundamental fairness to the contractor whose economic life may depend on his ability to bid on government contracts. That fairness requires that the bidder be given specific notice as to at least some charges alleged against him . . ." (p. 1271)

The opportunity to bid on contracts for the sale of goods or services to the government cannot be unilaterally eliminated without affording at least minimal guarantees of procedural due process. Those seeking government contracts "have a right to reasonable treatment of their bids," *Wilke, Inc.* v. *Department of the Army,* 485 F. 2d 180, 183 (4th Cir. 1973) and enjoy "a right to an equal opportunity to seek government contracts." *Alaska Movers Association* v. *Brown,* 445 F. Supp. 363, 364 (D. D. C. 1978).

By virtue of its permanent debarment without any semblance of procedural due process restraints, Polyvend has been found chargeable with the conduct of a former officer of Metal Stamping and deprived of all future opportunity to provide goods and

services to the State of Illinois. The opportunity to bid on future government contracts is a property right protected from interference by the state without due process of law. The decision of the Supreme Court of Illinois permitting debarment without affording due process guarantees violates the Fourteenth Amendment to the Constitution of the United States.

II.

THE RIGHT TO PURSUE A LAWFUL OCCUPATION WHICH IS DEPENDENT UPON THE ABILITY TO CONTRACT WITH THE GOVERNMENT IS A LIBERTY AND PROPERTY INTEREST PROTECTED BY THE DUE PROCESS CLAUSE OF THE FOURTEENTH AMENDMENT.

The only customers to whom Polyvend sells license plates are governmental agencies. Unless Polyvend is permitted the opportunity to bid on government contracts to manufacture license plates it cannot pursue its lawful business. The right to pursue a lawful occupation is a substantive liberty and property interest within the protection of the Due Process Clause of the Fourteenth Amendment. *Meyer* v. *State of Nebraska,* 262 U. S. 390, 399 (1923); *United States* v. *Robel,* 389 U. S. 258, 265 (1967); *Greene* v. *McElroy,* 360 U. S. 474, 492 (1959).

> "The right to pursue a lawful business including the solicitation of customers necessary to the conduct of such business has long been recognized as a property right within the protection of the Fifth and Fourteenth Amendments of the Constitution." *United States* v. *Tropiano,* 418 F. 2d 1069, 1076 (2nd Cir. 1969).

In *Hampton* v. *Mow Sun Wong,* 426 U. S. 88, 102 (1976) this Court held that: "ineligibility for employment in a major sector of the economy—is of sufficient significance to be characterized as a deprivation of an interest in liberty." Here, the permanent ineligibility from participating in a significant aspect of commerce constitutes a deprivation of liberty and property protected by the Fourteenth Amendment. Before the right to

bid can be denied on the grounds the bidder is guilty of misconduct, the bidder is entitled to due process of law. A legislative debarment based upon an attribution of guilt of another without affording a hearing flagrantly violates procedural due process.

III.

A GOVERNMENT AGENCY CANNOT MAKE A FINDING OF GUILT AND DEBAR A BIDDER WITHOUT AFFORDING DUE PROCESS.

The statute allows no notice or hearing. It was applied against Polyvend by an unknown government official who in a Star Chamber proceeding made a factual determination that the bidder was responsible for the acts of a former employee of Metal Stamping occurring more than eight years previously. Without any of the safeguards of due process this state employee determined: (a) Polyvend is included in the same "business entity" as Metal Stamping and Mr. Stoltz was an official of that "business entity"; (b) Mr. Stoltz committed bribery "on behalf of such business entity" and "pursuant to the direction or authorization" of a "responsible officer" of the "business entity"; and (c) Polyvend is "chargeable with the conduct" of bribery.*

The statute does not permit the bidder an opportunity to test the truth of these factual determinations. It is precluded from introducing evidence that the criminal offense was not authorized by anyone or that the person approving the criminal conduct was not a responsible officer. The bidder is also barred from establishing the criminal activity was not committed on behalf of the business entity. Nor is the bidder permitted to prove that the person committing the bribery did so by concealing his activities and deceiving responsible corporate officials who not only were unaware of the criminal activity but

* In making these findings the administrative official relied upon information contained in a Dunn & Bradstreet report which he received the day before the state gave notice of the bid rejection.

had adopted elaborate procedures to ensure such conduct could not occur. In short the bidder is found guilty solely because of its association with a person who committed the criminal act and it is denied any opportunity to demonstrate its innocence.

Incredibly, without any hearing whatever, the state found Metal Stamping responsible for the actions of its employee and "chargeable with the conduct" of bribery when *all criminal charges against Metal Stamping had been dismissed*. The Illinois Appellate Court correctly held the statute violated procedural due process requirements because "[t]here may be a substantial margin of error in making this decision and charging the corporation with the responsibility for the actions of its employees." *Polyvend, Inc.* v. *Puckorius,* 61 Ill. App. 3d 163, 167 (1978) (Appendix, A15). Section 10-1 invidiously denies the bidder recourse to the legal process, the "primary function" of which "is to minimize the risk of erroneous decisions" *Mackey* v. *Montrym,* 99 S. Ct. 2612, 2618 (1979)

Procedural due prcoess requires notice of the charge, a hearing before an impartial tribunal, an opportunity to be heard and the right to cross-examine one's accusors. *Boddie* v. *Connecticut,* 401 U. S. 371, 378-9 (1971); *Fuentes* v. *Shevin,* 407 U. S. 67, 80-82 (1972). By legislative decree, Polyvend has been found guilty of bribery without any procedural safeguards. A strikingly similar case was presented in *Gonzalez* v. *Freeman,* 334 F. 2d 570 (D. C. App. 1964), where Thomas Gonzalez, acting through a corporation, various partnerships and firms, conducted business with Commodity Credit Corporation. In connection with that business Mr. Gonzalez was convicted of concealing the existence of adulterated food sold by the businesses conducted by him. Based upon the conviction the government debarred the corporation, partnership and the businesses through which Gonzalez conducted business with the government.

The Court first held that the right to bid on a government contract was a protectable property interest and the bidder can-

not be debarred from bidding or contracting with the government until receiving notice of the specific charges and being afforded the opportunity to present evidence and cross-examine witnesses. The Court found that "[o]n this record there is neither the appearance nor the reality of fairness in the process by which debarment of appellants was accomplished" (p. 578). The Court ruled that Congress could not authorize debarment

> "without regulations establishing standards and procedures and without notice of charges, hearings, and findings pursuant thereto. Absent such procedural regulations and absent notice, hearing and findings in this case, the debarment is invalid; *to reach any other conclusion would give rise to serious constitutional issues.*" (p. 579) (Emphasis added.)

In *Gonzalez* the Court refused to taint others with Thomas Gonzalez' conviction holding that the conviction of Gonzalez was not a basis upon which it can be concluded that others had knowledge of or part in his criminal activities. Justice Burger stated:

> "Although the record of proceedings of the plea and sentencing of Thomas Gonzalez is not before us, his guilty plea is cogent evidence tending to support his debarment. But this record is barren of evidence or findings which would support blanket attribution of Gonzalez' conduct to all appellants alike. For example, absent specific findings as to Carmen Gonzalez' knowledge of or participation in the acts of her brother, her debarment raises questions of denial of substantive due process; *the record is likewise silent as to findings of corporate participation.* (pp. 578-9, n. 17 (Emphasis added.)

Here, contrary to the holding in *Gonzalez,* the state has attributed the guilt of Mr. Stoltz to Polyvend and debarred it from bidding *in perpetuity*. The factual determination of corporate participation, without notice, hearing or judicial review violates the due process guarantee of the Fourteenth Amendment.

IV.

SECTION 10-1 IS A BILL OF ATTAINDER IN VIOLATION OF ARTICLE I, SECTION 10 OF THE UNITED STATES CONSTITUTION.

By legislative fiat Metal Stamping has been found "chargeable with the conduct" of Mr. Stoltz and has been penalized without being afforded any of the safeguards of a judicial trial.

Article 1, § 10 of the United States Constitution provides that: "No state shall . . . pass any Bill of Attainder . . ." This Court has defined a bill of attainder as "a legislative act which inflicts punishment without a judicial trial." *Cummings* v. *Missouri,* 71 U. S. 356, 363 (1867). An unlawful bill of attainder has been recently characterized as:

> "[A] legislative determination of guilt and imposition of punishment . . . without the safeguards of a judicial trial." *Nixon* v. *Administrator of General Services,* 408 F. Supp. 321, 371 (D. D. C. 1976).

A bill of attainder is a statute which pronounces one guilty of an offense and imposes sanctions without a trial. Its distinguishing characteristic "is the substitution of legislative determination of guilt and legislative imposition of punishment for judicial finding and sentence." *United States* v. *Lovett,* 328 U. S. 303, 321 (1946). The obvious vice of a bill of attainder is that "the legislature has decided for itself that certain persons possess certain characteristics and are therefore deserving of sanctions." *United States* v. *Brown,* 381 U. S. 437, 453 n. 23 (1965).

As a result of § 10-1, the Illinois legislature has conclusively determined Metal Stamping is chargeable with the unlawful conduct of its purported agent, Patrick Stoltz. The conduct of Stoltz is attributed to the corporation even though there has been absolutely no showing that the corporation approved Stoltz' conduct, directed his activities, benefited from the un-

lawful conduct, or even knew that the unlawful act of bribery had occurred. The mere existance of an agency relationship between Stoltz and Metal Stamping is the sole basis for the application of § 10-1 and the attribution of guilt.

This Court has considered similar statutes which attribute guilt by association and inflict punishment by deprivation of property or employment. In each case the Court found the statute to be a bill of attainder. In *United States* v. *Brown*, 381 U. S. 437 (1965), the Court declared that disqualification of communists from union office was a punishment which contravened the bill of attainder clause. Quoting with approval from *Cummings* v. *Missouri*, 71 U. S. 277 (1867) the Court stated:

> *"The deprivation of any rights, civil or political, previously enjoyed, may be punishment,* the circumstances attending and the causes of the deprivation determining this fact. Disqualification from office may be punishment, as in cases of conviction upon impeachment. *Disqualification from the pursuits of a lawful avocation,* or from positions of trust, or from the privilege of appearing in the courts, or acting as an executor, administrator or guardian, may also, and often has been, imposed as punishment." (Emphasis added) (p. 362.)

In *United States* v. *Lovett*, 328 U. S. 303 (1946), the Court considered a federal statute prohibiting the payment of compensation to certain government employees who had been charged with subversive activities. Holding that the loss of employment was punishment and that the statute constituted a prohibited bill of attainder, this Court stated:

> "This permanent proscription from any opportunity to serve the Government is punishment, and of a most severe type. . . . No one would think that Congress could have passed a valid law, stating that after investigation it had found [the employees] "guilty" of the crime of engaging in "subversive activities," defined that term for the first time, and sentenced them to perpetual exclusion from any government employment. Section 304, while it does not use that language, accomplishes that result." [p. 316.]

In *Peters* v. *Hobby*, 349 U. S. 331 (1955), an executive order rendering the plaintiff ineligible to work for the government on a per diem basis for three years because he was disloyal constituted punishment and was a bill of attainder. In *Cummings* v. *Missouri*, 71 U. S. 356 (1867), a statute requiring teachers to sign a loyalty oath or be barred from the employment of teaching was a bill of attainder. In *Ex Parte Garland*, 71 U. S. 366 (1867) the Court declared a statute prohibiting one from practicing law in federal court if he refused to sign a loyalty oath constituted a bill of attainder.

Section 10-1 is a classic bill of attainder for it taints Polyvend with the crime of another, determines Polyvend to be guilty by virtue of its association and inflicts punishment. The Illinois legislature has specifically recognized the purpose of Section 10-1 to be punitive describing it as:

> "[A]n additional penalty for anyone who has tried to bribe someone working for the state to get undeserved favorable treatment." (House Republican staff analysis, April 11, 1977).

In violation of the Constitution of the United States, the Illinois legislature has made a legislative finding that Polyvend is guilty of bribery and punished by perpetual debarment. The statute denies Polyvend the opportunity to establish its innocence in a court of law. Such legislative finding of guilt constitutes a "trial by legislature" and is an unconstitutional bill of attainder.

V.

THE LANGUAGE OF SECTION 10-1 IS VAGUE AND INDEFINITE IN VIOLATION OF THE FOURTEENTH AMENDMENT TO THE UNITED STATES CONSTITUTION.

A law drafted in terms which are so vague that men of common intelligence must necessarily guess at its meaning and differ as to its application violates due process of law. *Champlin Refining Co.* v. *Corporation Commission of Oklahoma,* 286 U. S. 210, 242 (1932); *Baggett* v. *Bullitt,* 377 U. S. 360 (1964); *Cline* v. *Frink Dairy Co.,* 274 U. S. 445 (1927). Section 10-1 is constitutionally defective for it is so incomplete, vague and indefinite that men of ordinary intelligence must necessarily guess at its meaning and it invalidly delegates legislative authority to an administrative official. We will briefly review a number of illustrations:

(a) *"direction or authorization of a responsible officer"*

Is a department head, foreman or supervisor a responsible officer? Does the definition include one who authorizes an illegal act against the explicit orders of his supervisor? Is Metal Stamping responsible for Mr. Stoltz' conduct if he acted in direct contravention of the orders of the board of directors? Does an officer "authorize" the criminal conduct of a subordinate when he merely fails to act to prevent the criminal conduct? What standard of proof is required to establish authorization?

(b) *"business entity"*

This term is not defined by the Illinois legislature nor by case law and the administrative official applying the act must speculate as to the meaning of this term. Does it include a joint venture composed of corporations, individuals and partnerships? If so, are all of the joint venturers tainted with the criminal act regardless of their knowledge or participation? Are all corporate subsidiaries tainted by the criminal act of their parent and vice versa? Does the term encompass a corporation or business which has been sold? If the management of a corporation is purged after the offense does the corporation remain debarred? Does a person who commits the criminal act taint his new employer who hires him after he has committed the offense? Is the taint removed when, as here, the officer who committed the offense dies—or does the debarment remain forever?

(c) *"admission of guilt"*

An admission is a statement from which guilt may be inferred, while a confession is an acknowledgement of all elements of the offense. *Jones* v. *United States,* 296 F. 2d 398 (D. C. Cir. 1961); 23 C. J. S. "Criminal Law" § 816 (1961). Which elements of the offense must be contained in the admission of guilt? What standard of proof of guilt is required before the admission can be used against the bidder? Must the admission be corroborated? Must it be subject to cross-examination? Can it be used by the administrative officer if not believed by a judge or jury? Can the admission be used against a company when it has been acquitted of the charges or, as here, the charges against it are dismissed?

Section 10-1 is fatally vague and indefinite and it delegates to an unidentified state employee an unwarranted discretion to interpret and apply the statute. The statute is repugnant to the Due Process Clause of the Fourteenth Amendment and is unconstitutional on its face. *See Lanzetta* v. *State of New Jersey,* 306 U. S. 451 (1939).

VI.

THE ATTRIBUTION OF STOLTZ' CRIMINAL CONDUCT TO METAL STAMPING WITHOUT PROVIDING FOR ANY SUBSTANTIVE OR PROCEDURAL SAFEGUARDS VIOLATES THE FIFTH, SIXTH AND FOURTEENTH AMENDMENTS TO THE CONSTITUTION OF THE UNITED STATES.

The determination that Metal Stamping is "chargeable" with the bribery of a state official and its consequent punishment of permanent disqualification is equivalent to conviction and punishment without a judicial hearing. The state has attributed the criminal conduct of Mr. Stoltz to Metal Stamping and concluded that Metal Stamping has also committed the offense. Such determination is in direct contravention of numerous fundamental due process and other constitutional protections guaranteed to a person who is criminally accused, namely: the right to be indicted, the right to be informed of the nature of the accusation, the right to counsel and defense, the right to a trial by jury, the right to call witnesses and to confront and cross-examine its accusers, and the right to be protected from unlawful retroactive application of the statute. These rights are guaranteed by the Fifth, Sixth and Fourteenth Amendments to the Constitution of the United States.

The state's action is completely riddled with unconstitutionality. The penalty imposed is far greater than that provided by the criminal laws and the debarment proceeding is tantamount to a criminal prosecution. Polyvend has been convicted by the discredited concept of guilt by association. To forever bar a corporation from state contracts without any trial or hearing, based only on the criminal acts of another, is such an extreme punishment and so harsh and oppressive as to constitute denial of due process of law and equal protection of the law. The statute egregiously violates the numerous constitutional safeguards to which Polyvend is entitled and the statute is unconstitutional.

CONCLUSION.

For the above reasons the Court should note probable jurisdiction of this appeal.

Respectfully submitted,

RICHARD G. SCHULTZ,
30 North LaSalle Street,
Suite 3010,
Chicago, Illinois 60602,
(312) 368-8330,
Counsel for Appellant.

Of Counsel:
NICHOLAS J. ETTEN,
LORI STONE,
FORAN, WISS & SCHULTZ,
30 North LaSalle Street,
Suite 3010,
Chicago, Illinois 60602,
(312) 368-8330.

December 29, 1979

APPENDIX.

State of Illinois
County of Cook } ss.

IN THE CIRCUIT COURT OF COOK COUNTY
County Department, Law Division

Polyvend Corporation, a corporation,
Plaintiff,

vs.

Theodore D. Puckorius, individually and as director of the Illinois Department of Administrative Services, and Illinois Department of Administrative Services, a Department of State Government,
Defendants.

77L 20965

COMPLAINT FOR DECLARATORY JUDGMENT.

Now comes the plaintiff, Polyvend Corporation, by its attorneys, Foran, Wiss and Schultz, and states as follows:

1. The complaint herein is brought under and pursuant to Section 57.1 of the Civil Practice Act of the State of Illinois (Ill. Rev. Stats. Chapter 110), and presents a case of actual controversy, as to which declaratory and other relief is sought.

2. The plaintiff, Polyvend Corporation, is a corporation duly organized and existing under the laws of the State of Arkansas and is authorized to transact business in the State of Illinois.

3. On or about September 18, 1977, the defendant, the Illinois Department of Administrative Services of the State of

Illinois, advertised for bids for a contract to manufacture the 1979 multi-year Illinois License Plates.

4. On October 12, 1977 the bids for the 1979 multi-year Illinois License Plate contract were opened. Polyvend Corporation's bid in the amount of $10,390,440.00 was the sole bid for this Contract and Polyvend was a responsible bidder under the Illinois Purchasing Act.

5. On October 26, 1977, without any prior notice to the plaintiff, hearing or opportunity to be heard, the defendants rejected Polyvend Corporation's bid and refused to award the license plate contract to Polyvend.

6. The sole basis for the defendants' decision in denying the 1979 contract award to Polyvend Corporation was that Public Act 80-694, effective October 1, 1977, prohibits the award of the contract to Polyvend. Public Act 80-694, effective October 1, 1977, adding § 10-1 to the Illinois Purchasing Act provides:

> "Section 10.1. No person or business entity shall be awarded a contract or sub-contract if that person or business entity: (a) has been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois in that officer or employee's official capacity; or (b) has made an admission of guilt of such conduct which is a matter of record but has not been prosecuted for such conduct.
>
> "For purposes of this Section, where an official, agent, or employee of a business entity committed the bribery or attempted bribery on behalf of such an entity and pursuant to the direction or authorization of a responsible official thereof, the business entity shall be chargeable with the conduct." (Ill. Rev. Stat., Ch. 127, Par. 132.10-1).

7. The stated basis for the defendant invoking Public Act 80-694 was that in March, 1974, Patriot Stoltz, a former officer of Metal Stamping Corporation, was convicted in Federal Court of the offense of bribery of an Illinois State official and received a sentence of three years probation, was fined and ordered to

make restitution paid the fine. Mr. Stoltz has satisfied the terms of the sentence, and was discharged from probation in April, 1977.

8. Neither Polyvend Corporation nor Metal Stamping Corporation has ever been convicted of a crime and subsequent to the March, 1974 conviction of Patrick Stoltz, Metal Stamping Corporation was the annual successful bidder and received separate annual awards of the 1976 and 1977 Illinois license plate contracts and Polyvend Corporation was the successful annual bidder and awarded the 1978 Illinois license plate contract.

9. The application of Public Act 80-694 to bar the award here to Polyvend Corporation is in violation of and without authority of law in that:

A) As applied to Polyvend Corporation, the Act is an unconstitutional Bill of Attainder in violation of Article 1, § 10 of the United States Constitution;

B) The defendant has unlawfully sought to apply the statute retroactively against the plaintiff.

C) The Act is an *Ex Post Facto* law in violation of the United States and Illinois Constitutions;

D) The Act, on its face and as applied, totally fails to afford procedural due process to one potentially affected, in contravention of the due process clauses of the United States and Illinois Constitutions;

E) The Act is arbitrary, capricious, discriminatory, harsh, oppressive, unreasonable, is unconstitutionally vague and otherwise violates personal and property rights of the plaintiff in violation of the due process clauses of the United States and Illinois Constitutions.

F) The provisions of the statute do not disqualify Polyvend Corporation from being awarded a contract by the State of Illinois.

10. That an actual controversy exists and a judgment by this court determining the rights of the plaintiff and defendants will terminate this controversy.

11. The plaintiff is informed and believes that the defendant, the Illinois Department of Administrative Services, is in the process of readvertising for bids for the contract to manufacture the 1979 multi-year Illinois License plates and that the plaintiff will not be provided an invitation to rebid.

12. The plaintiff has been informed by its major suppliers of material that unless the plaintiff promptly orders the material the cost of the material will increase substantially and possibly will not be available to permit the plaintiff to meet the delivery dates required of the defendant, Illinois Department of Administrative Services.

13. That plaintiff has no other adequate remedy at law and will suffer irreparable injury if the relief going is not granted.

14. Wherefore, plaintiff, Polyvend Corporation, prays for the entry of a declaratory judgment herein providing;

A. That Public Act 80-694, adding section 10-1 to the Illinois Purchasing Act, is unconstitutional on its face and/or as applied to Polyvend Corporation;

B. That Public Act 80-694 is prospective in application only and cannot be applied retroactively so as to bar Polyvend Corporation from the 1979 multi-year Illinois license plate contract;

C. That defendant State of Illinois, Department of Administrative Services and its director Theodore D. Puckorius be enjoined from readvertising the contract and immediately award the plaintiff, Polyvend Corporation, said contract to manufacture the 1979 multi-year Illinois License Plates under the terms of the bid submitted by Polyvend;

D. That the court award the plaintiff damages for any increase in production costs caused by the defendants delay in awarding Polyvend Corporation the contract;

E. That such other further or additional declaration and direction be made to implement the immediate awarding of said contract to the plaintiff, Polyvend Corporation;

F. That the Court grant such other, additional and further relief as is or may be appropriate under the circumstances.

Respectfully submitted,

Polyvend Corporation

/s/ FORAN, WISS & SCHULTZ by RICHARD SCHULTZ

Foran, Wiss and Schultz

Richard G. Schultz,
Ian H. Levin,
FORAN, WISS AND SCHULTZ,
111 West Washington Street,
Suite 1731,
Chicago, Illinois
Telephone: 368-8330.

State of Illinois } ss.
County of Cook }

AFFIDAVIT.

Richard G. Schultz, having been first duly sworn on oath, deposes and states that he has subscribed his name to the above and foregoing Complaint for Declaratory Judgment; that to the best of his knowledge and belief, the contents thereof and the things alleged therein are true and correct.

/s/ RICHARD G. SCHULTZ
Richard G. Schultz

Subscribed and Sworn to before me this 28th day of October, 1977.

/s/ Rosalyn DiLiberto
Notary Public

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
County Department, Law Division

Polyvend Inc., a corporation,
Plaintiff,

vs.

Theodore D. Puckorius, individually and as Director of the Illinois Department of Administrative Services, and Illinois Department of Administrative Services, a Department of State Government,
Defendants.

No. 77 L 20965

MOTION FOR SUMMARY JUDGMENT

Now comes Polyvend Inc. by its attorneys, Foran, Wiss and Schultz, and moves the Court for entry of summary judgment in favor of the plaintiff pursuant to Section 57 of the Illinois Civil Practice Act on the grounds that there are no genuine issues of material fact and the plaintiff is entitled to summary judgment as a matter of law because Section 10-1

(1) Cannot be retrospectively applied;

(2) Constitutes an unconstitutional bill of attainder;

(3) Violates due process of law;

(4) Is unconstitutionally vague and indefinite;

(5) Confers unauthorized power to an administrative official; and

(6) Violates the plaintiff's rights under the 5th, 6th and 14th Amendments to the United States Constitution and Article 1, Sections 7 and 8 of the Illinois Constitution.

Wherefore, the Court should properly enter summary judgment in favor of the plaintiff, ordering the defendants to immediately award the 1979 multi-year license plate contract to Polyvend Inc. and retain jurisdiction to assure compliance with its order.

Respectfully submitted,

Polyvend Inc.
By /s/ FORAN, WISS AND SCHULTZ,
Foran, Wiss and Schultz,
Attorneys for the plaintiff.

Of Counsel:
Richard G. Schultz
Ian H. Levin
George Pappas
FORAN, WISS AND SCHULTZ
111 West Washington Street
Suite 1731
Chicago, Illinois 60602
(312) 368-8330

AFFIDAVIT OF SERVICE

The undersigned, being first duly sworn on oath, deposes and states that she served the foregoing Motion for Summary Judgment upon Michael J. Hayes, 160 North LaSalle Street, Room 850, Chicago, Illinois 60601, by personally delivering a true and correct copy thereof to his indicated address, this 10th day of November, 1977.

/s/ Janet L. Garner

Subscribed and Sworn to before me this 10th day of November, 1977.

/s/ Kathleen Mary Moran
Notary Public

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
County Department, Law Division

Polyvend Inc., a corporation,
Plaintiff,

vs.

Theodore D. Puckorius, individually and as Director of the Illinois Department of Administrative Services, and Illinois Department of Administrative Services, a Department of State Government,
Defendants.

No. 77 L 20965

ORDER

This cause coming to be heard on Plaintiff's and Defendants' motions for summary judgment, all parties being present and the Court, having entertained arguments of counsel and being fully advised in the premises;

It Is Hereby Ordered:

1. Defendants' motion for summary judgment is hereby granted;

2. Plaintiff's motion for summary judgment and all other relief requested by Plaintiff is hereby denied;

3. The Court finds and certifies that the issues raised in this cause are of public interest and importance deserving immediate attention by the Illinois Supreme Court and there is no reason to delay the enforcement or appeal of this order.

Enter:

Arthur L. Dunne
Judge

Dated: November 14, 1977
Circuit Court

POLYVEND, INC., Plaintiff-Appellant, *v.* THEODORE PUCKORIUS, Indiv. and as Director of the Department of Administrative Services, *et al.*, Defendants-Appellees.

First District (3rd Division) No. 77-1740

Reversed and remanded.

Opinion filed June 7, 1978.

Constitutional Law (§ 198)—*provision of Illinois Purchasing Act under which bid for manufacture of license plates was rejected due to corporation president's prior bribery conviction held unconstitutional for failure to provide some procedural safeguards.* Section of Illinois Purchasing Act which was a basis for rejecting bid to manufacture motor vehicle license plates signed by plaintiff-corporation's president who had previously pleaded guilty to charge of bribery of Illinois official would be held unconstitutional because, by not providing some procedural safeguards, statute was in contravention of plaintiff's property interests protectable under due process guaranties of State and Federal constitutions (Ill. Rev. Stat. 1977, ch. 127, par. 132.10-1).

Appeal from the Circuit Court of Cook County; the Hon. ARTHUR L. DUNNE, *Judge, presiding.*

Foran, Wiss & Schultz, of Chicago (Richard Schultz, of counsel), for appellant.

William J. Scott, Attorney General, of Chicago (Michael J. Hayes, Assistant Attorney General, of counsel), for appellees.

MR. PRESIDING JUSTICE JIGANTI delivered the opinion of the court:

The plaintiff, Polyvend, Inc. (Polyvend) submitted the only bid to manufacture the 1979 motor vehicle license plates for the State of Illinois. The bid was rejected by the State pursuant

to the Illinois Purchasing Act (Ill. Rev. Stat. 1977, ch. 127, par. 132.10-1), which provides:

> "No person or business entity shall be awarded a contract or subcontract if that person or business entity: (a) has been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois in that officer or employee's official capacity; or (b) has made an admission of guilt of such conduct which is a matter of record but has not been prosecuted for such conduct.
>
> For purposes of this Section, where an official, agent, or employee of a business entity committed the bribery or attempted bribery on behalf of such an entity and pursuant to the direction or authorization of a responsible official thereof, the business entity shall be chargeable with the conduct."

The plaintiff immediately filed a declaratory judgment action requesting the court to declare that portion of the Purchasing Act unconstitutional; the plaintiff also asked for injunctive relief and damages. The trial court granted the defendant's motion for summary judgment and the plaintiff's appeal follows.

The plaintiff is a manufacturer of license plates. On or about September 18, 1977, the Illinois Department of Administrative Services advertised for bids for a contract to manufacture the 1979 multiyear motor vehicle license plates. On October 12, 1977, the plaintiff made the only bid on the contract. On November 18, 1977, the State purchasing agent sent a telegram and a letter advising the plaintiff that the bid was rejected pursuant to certain Department of Administrative Services' purchasing rules and regulations, which are not an issue in this case, and because of the statute that was previously cited.

The bid for the license plates contract was signed by Patrick J. Stoltz as president of Polyvend. Stoltz, while an officer of Metal Stamping Corporation (Metal Stamping), on March 6, 1974, approximately 3½ years prior to submitting the bid in this case, pleaded guilty to the charge of bribery of an Illinois official. Metal Stamping at that time owned all of the stock of

Polyvend. On June 30, 1974, Metal Stamping merged Polyvend into Metal Stamping and a few days later Metal Stamping changed its name to Polyvend. Metal Stamping was the successful bidder for Illinois license plates contracts in 1976 and again in 1977. Polyvend was the successful bidder in 1978. There is no explanation in the record of how the contract was granted to Metal Stamping for the years 1976 and 1977 when at the time those bids were let, the name of Metal Stamping had already been changed to Polyvend.

The plaintiff makes a number of attacks on the statute. We will only consider its contention that the statute violates procedural due process of law under the Federal and State constitutions. Our resolution of that issue is dispositive of this appeal. The plaintiff charges that the statute finds an entity guilty of bribery by legislative fiat without providing for any due process such as notice of the charge, a hearing before an impartial tribunal, an opportunity to be heard and the right to a review of the decision. Without these safeguards, the plaintiff states, an unknown person made a factual determination that: Polyvend is the same "business entity" as Metal Stamping; Stoltz was an official, agent or employee of that business entity; and Stoltz committed bribery on behalf of that entity pursuant to the direction and authorization of a responsible officer of the entity.

The plaintiff argues that the holding in *Gonzalez* v. *Freeman* (D. C. Cir. 1964), 334 F. 2d 570 is applicable here. In *Gonzalez,* Thomas P. Gonzalez, Carmen Gonzalez, Thomas P. Gonzalez Corporation and others received a telegram stating that they and any corporation in which Thomas or Carmen Gonzales was a partner or officer were "temporarily debarred from doing business with Commodity Credit [Corporation] pending investigation into possible misuse of official inspection certificates * * *." (*Gonzalez,* at 572.) The suspension was for five years. The Thomas P. Gonzalez Corporation had a record of contractual relations with the Commodity Corporation for a

number of years. Prior to the debarment, Thomas P. Gonzalez pled guilty to a misdemeanor based on his misuse of official inspection certificates. The United States Circuit Court of Appeals held that Thomas P. Gonzalez individually and Thomas P. Gonzalez Corporation were entitled to summary judgment because the debarment was imposed without observance of procedural requirements and hence in excess of statutory jurisdiction and authority.

The defendant responds that before procedural due process guaranties attach, the plaintiff must show that some guaranteed right will be affected or deprived by the action of the government. In the present matter, it urges, the plaintiff has no such interest since the plaintiff has no right to perform government contracts citing *Perkins* v. *Lukens Steel Co.* (1940), 310 U. S. 113, 84 L. Ed. 1108, 60 S. Ct. 869. The invitation to bid gives the State the unqualified right to reject any and all bids and to readvertise for submission. The defendant distinguishes *Gonzalez* by pointing out that it involved an existing relationship between those plaintiffs and the Commodity Credit Corporation, whereas in the instant case the party initially seeking the government contract has no protectable property right to which procedural due process would attach. Similarly it distinguishes *Bio-Medical Laboratories* v. *Trainor* (1977), 68 Ill. 2d 540, 370 N. E. 2d 223, since in that case the protectable property right was the "continued participation" in statutorily created public aid programs. *Hathaway* v. *Mathews* (7th Cir. 1976) 546 F. 2d 227, *Chicagoland Agencies, Inc.* v. *Palmer* (1936), 364 Ill. 13, 2 N. E. 2d 910 and *Mayhew* v. *Nelson* (1931), 346 Ill. 381, 178 N. E. 2d 921, were also inapplicable for comparable reasons.

We cannot accept the distinctions as drawn by the defendant. *Perkins,* indeed, holds that no citizen has the "right" to do business with the government. There iron and steel manufacturers attempted to restrain the Secretary of Labor from carrying out an administrative determination that all future

government contracts would contain a contractual condition requiring a supplier to pay the prevailing minimum wage to its employees. The Supreme Court held the manufacturers were prospective bidders and did not have standing to challenge the Secretary's determination because the government could impose contractual conditions on the parties with whom it had chosen to contract. The manufacturers were unable to show that any legal right had been invaded or threatened. *Perkins* was distinguished in *Bio-Medical Laboratories, Inc.* In that case the plaintiff had participated in the Medicaid program for approximately seven years and 90% of its business involved Medicaid payments. The court, in distinguishing *Bio-Medical* from *Perkins,* said that the plaintiff "possesses a legal interest which is threatened, that being its expectation of continuing to receive Medicaid payments on behalf of Medicaid recipients it services." Citing *Hathaway* and *Case* v. *Weinberger* (2d Cir. 1975) 523 F. 2d 602, the court stated that this expectation interest had been recognized as a protectable legal interest. Here, as in *Bio-Medical Laboratories, Inc.,* the plaintiff's relationship with the government must be analyzed and cannot be dismissed under the rubric of *Perkins* that the plaintiff has no right to perform government contracts.

Gonzalez considers a debarment as does the case at bar. Although *Gonzalez* was decided on Federal statutory grounds and not on the basis of the constitution, we think the rationale is equally applicable to the constitutional issue raised here. The court stated that:

> "Disqualification from bidding or contracting for five years directs the power and prestige of government at a particular person and, as we have shown, may have a serious economic impact on that person. Such debarment cannot be left to administrative improvisation on a case-by-case basis. The governmental power must be exercised in accordance with accepted basic legal norms. Considerations of basic fairness require administrative regulations establishing standards for debarment and procedures which will

include notice of specific charges, opportunity to present evidence and to cross-examine adverse witnesses, all culminating in administrative findings and conclusions based on the record so made." (*Gonzalez*, at 578.)

We do not believe that *Gonzalez* can be distinguished from the case at bar on the basis that *Gonzalez* involved an existing relationship similar to that in *Bio-Medical Laboratories, Inc.* and there is no such relationship here. The plaintiff did not simply lose a bid on a contract. The plaintiff has been forever barred from bidding on any contract based on a determination by an administrative agency without any procedural safeguards. The interest here is not merely a potential opportunity to perform a contract with the State of Illinois. Here the powers of government are directed toward an individual barring him from an opportunity to contract to supply goods and services to the government. This is a significant aspect of commercial life and a State's determination to absolutely bar participation in it requires procedural safeguards.

The defendant argues that even if there is a property right that has been affected questions still remain as to what procedural due process requires. It suggests that the court must balance the factors set out in *Mathews* v. *Eldridge* (1976), 424 U. S. 319, 47 L. Ed. 2d 18, 96 S. Ct. 893, to determine whether a hearing is required: (1) the private interest that will be affected by the official action; (2) the risk of an erroneous determination of such interests through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and (3) the government's interest, including the function involved in the fiscal and administrative burdens that the additional or substitute procedural safeguards will entail. (*Mathews*, at 334-35.) The defendant states that the private interest involved could only be the potential opportunity to perform a contract with the State. As stated immediately above we do not believe that the debarment proceeding can be characterized as merely a potential opportunity to perform a contract with the State. Debarring of a person from any opportunity to contract with the government is a protectable interest.

Further, the defendant says that the risk of erroneous deprivation is minimal because the decision to apply the act is made by mere recognition of the conviction for bribing a State official. The statutory requirements are not so simple and the consequences of an erroneous decision are more substantial than the defendant suggests. The determination that an officer or employee was acting "in that officer or employee's official capacity" involves a factual evaluation of the employee's relationship with the company. There may be a substantial margin of error in making this decision and charging the corporation with the responsibility for the actions of its employees. That determination cannot be deemed a minimal risk. Finally, the defendant argues that the government interest in efficient and economical procurement practices would be severely damaged by forcing the State to provide administrative hearings for every disqualified or disgruntled bidder. We do not see the statute as aimed at persons disqualified by not receiving the bid on a contract. The statute effectively bars a very small class of people, those who have been convicted or who have admitted bribing or attempting to bribe an officer or employee of the State of Illinois who is acting in an official capacity. The fiscal and administrative burdens in providing some procedural safeguards will not be prohibitive.

For the reasons stated we find that the plaintiff has a property interest which is protectable under the due process guaranties of the Federal and State constitutions. The statute, by not providing some procedural safeguards, is in contravention of those rights and is consequently unconstitutional. The order of the circuit court granting summary judgment to the defendant is reversed and the order denying summary judgment to the plaintiff is reversed and remanded for proceedings not inconsistent with this opinion.

Reversed and remanded.

McNAMARA and McGILLICUDDY, *JJ.*, concur.

OPINION FILED SEPTEMBER TERM, 1979.

Docket No. 51011—Agenda 15—January 1979.

POLYVEND, INC., Appellee, v. THEODORE PUCKORIUS, Director of Administrative Services, *et al.*, Appellants.

MR. JUSTICE UNDERWOOD delivered the opinion of the court:

Plaintiff, Polyvend, Inc., filed this declaratory judgment action in October 1977 following defendants' rejection of its bid to manufacture the 1979 multiyear motor vehicle license plates for the State of Illinois. Plaintiff's bid, which was the only one submitted on this project, was rejected by the State pursuant to section 10.1 of the Illinois Purchasing Act (Ill. Rev. Stat. 1977, ch. 127, par. 132.10—1), which became effective October 1, 1977. That section provides:

> "No person or business entity shall be awarded a contract or sub-contract if that person or business entity: (a) has been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois in that officer or employee's official capacity; or (b) has made an admission of guilt of such conduct which is a matter of record but has not been prosecuted for such conduct.
>
> For purposes of this Section, where an official, agent, or employee of a business entity committed the bribery or attempted bribery on behalf of such an entity and pursuant to the direction or authorization of a responsible official thereof, the business entity shall be chargeable with the conduct."

Plaintiff challenged the statute on various constitutional grounds: (1) section 10.1 denies procedural due process of law; (2) the statute is unconstitutionally vague and indefinite; (3) the statute constitutes a bill of attainder; (4) it invalidly delegates legislative power to an administrative official; and (5) section 10.1 cannot be retrospectively applied to a prior bribery conviction. The circuit court rejected these arguments and granted defendants' motion for summary judgment. The

appellate court, reaching only one of the issues, reversed and remanded, finding the statute unconstitutional on due process grounds. (61 Ill. App. 3d 163.) We allowed defendants' petition for leave to appeal.

Plaintiff is an Arkansas corporation engaged in the manufacture of license plates and authorized to transact business in Illinois. Responding to an advertisement by the Illinois Department of Administrative Services for bids on the contract to manufacture the 1979 multiyear license plates, plaintiff submitted a bid in the amount of $10,390,440.40, signed by Patrick J. Stoltz as president of the plaintiff corporation. In 1974, Stoltz had pleaded guilty in Federal district court to a charge of bribery. This conviction arose out of Stoltz' activities as president of Metal Stamping Corp., the sole owner of Polyvend, and involved the bribery of an Illinois official.

In 1973, Stoltz resigned as president of the Metal Stamping Corp., and the following year Polyvend was merged into Metal Stamping Corp. The name of the corporation subsequently was changed to that of its former subsidiary, Polyvend. Despite Stoltz' resignation as president of the corporation, he apparently continued to hold a controlling interest in the firm at the time the bid was submitted. Metal Stamping Corp. was awarded the contract to manufacture the Illinois license plates in 1976 and 1977, and Polyvend was awarded the 1978 contract. Although Polyvend submitted the only bid to manufacture the 1979 plates, it was rejected by defendant pursuant to the above-quoted statutory provision. Stoltz died in December 1978.

It is fundamental that the constitutional guarantees of procedural due process only become operative where there is an actual or threatened impairment or deprivation of "life, liberty or property." (U. S. Const., amend. XIV; Ill. Const. 1970, art. I, sec. 2.) Therefore, the starting point in any procedural due process analysis is a determination of whether one of these protectable interests is present, for if there is not, no process is due. Plaintiff argues that the opportunity to contract for the sale

of goods and services to the goverment is a legally protected property interest within the ambit of the due process clause and, therefore, cannot be eliminated without affording the would-be supplier minimal guarantees of procedural due process. With this contention, however, we disagree.

As the United States Supreme Court recognized in *Board of Regents* v. *Roth* (1972), 408 U. S. 564, 570, 33 L. Ed. 2d 548, 556-57, 92 S. Ct. 2701, 2705, "the range of interests protected by procedural due process is not infinite." Following a review of the pertinent judicial decisions, the *Roth* court concluded that, "[t]o have a property interest in a benefit, a person clearly must have more than an abstract need or desire for it. He must have more than a unilateral expectation of it. He must, instead, have a legitimate claim of entitlement to it." (408 U. S. 564, 577, 33 L. Ed. 2d 548, 561, 92 S. Ct. 2701, 2709.) Stated differently, "[t]he Fourteenth Amendment's procedural protection of property is a safeguard of the security of interests that a person *has already acquired* in specific benefits." (Emphasis added.) 408 U. S. 564, 576, 33 L. Ed. 2d 548, 560, 92 S. Ct. 2701, 2708.

We do not think it can be said that plaintiff had "a legitimate claim of entitlement" to the future State contract involved herein. This conclusion is derived from an examination of relevant State law as well as the circumstances surrounding the bid itself. As the court stated in *Roth*:

> "Property interests, of course, are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law—rules or understandings that secure certain benefits and that support claims of entitlement to those benefits." (408 U. S. 564, 577, 33 L. Ed. 2d 548, 561, 92 S. Ct. 2701, 2709.)

(See also *Bishop* v. *Wood* (1976), 426 U. S. 341, 344, 48 L. Ed. 2d 684, 689-90, 96 S. Ct. 2074, 2077; *Goss* v. *Lopez* (1975), 419 U. S. 565, 572-73, 42 L. Ed. 2d 725, 733-34, 95 S. Ct. 729, 735.) Section 4 of the Illinois Purchasing Act (Ill.

Rev. Stat. 1977, ch. 127, par. 132.4), which concerns advertisement for bids, expressly states that "[a]ny and all bids may be rejected * * *." Furthermore, section 17, paragraph (h), of the Department of Administrative Services' Purchasing Rules and Regulations, issued pursuant to the Illinois Purchasing Act, provides that, if it appears to be in the best interest of the State, all bids may be rejected. Finally, both the advertisement for bids and the instructions to bidders in the instant case contained explicit language providing that the State reserved the right to reject any or all bids. Therefore, it seems clear that there was no intention to confer a "claim of entitlement" on bidders for government contracts. Absent such an interest, it cannot be said that the bidders have a recognizable property right within the meaning of the Federal or State constitutions.

Analogous to the contractor's interest in receiving future government contracts is the interest of an individual in government employment. In *Roth* an assistant professor at a State university brought an action in which he alleged that the decision of the university not to renew his teaching contract for another year violated his right to procedural due process of law. The plaintiff had been hired for a fixed term of one academic year and had no tenure rights to continued employment. The plaintiff argued that he should have been given notice of any reason for nonretention and an opportunity for a hearing. After examining the terms of the plaintiff's employment agreement with the university, however, the United States Supreme Court concluded that while he may have had "an abstract concern in being rehired" (408 U. S. 564, 578, 33 L. Ed. 2d 548, 561, 92 S. Ct. 2701, 2710), he did not have a claim of entitlement to reemployment. Therefore, the plaintiff lacked the requisite property interest necessary to require the university to comply with procedural due process requirements.

Similarly, in the present case, despite the fact that plaintiff had been the successful bidder in 1976, 1977 and 1978, and had manufactured the State license plates in those years, it did

not have a claim of entitlement or protectable property interest in the 1979 license plate contract. Each contract with the State was separate and independent from the other, and prior performance of a like contract did not give the contractor a preferred status or any other reasonable basis for concluding that it would receive future contracts. Polyvend's "unilateral expectation" that it would receive the contract to manufacture the 1979 Illinois motor vehicle license plates does not constitute a protectable property interest within the meaning of the due process clause. *Board of Regents* v. *Roth* (1972), 408 U. S. 564, 577, 33 L. Ed. 2d 548, 560-61, 92 S. Ct. 2701, 2709.

In *Perkins* v. *Lukens Steel Co.* (1940), 310 U. S. 113, 84 L. Ed. 1108, 60 S. Ct. 869, the United States Supreme Court held that bidders on government contracts lack a sufficient legal interest to challenge government procurement rules and policies. Although the case was decided on principles of standing, we think the reasoning employed by the court therein is equally pertinent to the present controversy. In *Perkins,* the court stated:

> "Like private individuals and businesses, the Government enjoys the unrestricted power to produce its own supplies, to determine those with whom it will deal, and to fix the terms and conditions upon which it will make needed purchases." (310 U. S. 113, 127, 84 L. Ed. 1108, 1114, 60 S. Ct. 869, 876.) "Courts should not, where Congress has not done so, subject purchasing agencies of Government to the delays necessarily incident to judicial scrutiny at the instance of potential sellers, which would be contrary to traditional governmental practice and would create a new concept of judicial controversies. A like restraint applied to purchasing by private business would be widely condemned as an intolerable business handicap. It is, as both Congress and the courts have always recognized, essential to the even and expeditious functioning of Government that the administration of the purchasing machinery be unhampered." 310 U.S. 113, 130, 84 L. Ed. 1108, 1116, 60 S. Ct. 869, 878.

See also *Powell* v. *Jones* (1973), 56 Ill. 2d 70, 82.

The decisions which plaintiff relies on, and which the appellate court cited in support of its conclusion that plaintiff had a protectable property interest, are not persuasive. In *Bio-Medical Laboratories, Inc.* v. *Trainor* (1977), 68 Ill. 2d 540, the plaintiff, a medical laboratory, was informed by the Director of the Illinois Department of Public Aid that it was going to be suspended from further participation in the Medicaid program. The plaintiff thereupon filed suit seeking to restrain the Director from taking such action. In response to the Director's contention that the plaintiff lacked standing to bring such an action because of the absence of a protectable interest, this court distinguished *Perkins* v. *Lukens Steel Co.* (1940), 310 U. S. 113, 84 L. Ed. 1108, 60 S. Ct. 869, by pointing out that, whereas in *Perkins* the government contractors were unable to demonstrate that a legal right had been threatened, this plaintiff did possess a protectable legal interest, "that being its expectation of continuing to receive Medicaid payments on behalf of the Medicaid recipients its services." 68 Ill. 2d 540, 547.

This right to continuing participation in an ongoing program, which was recognized as a protectable legal right by the court, arose by virtue of the fact that the plaintiff had participated in the Medicaid program for approximately eight years prior to the decision of the Director to suspend. The program was a continuing one, not requiring annual competitive bids, in direct contrast with the present case, where plaintiff was not a participant in an ongoing, continuous program. Rather, there was simply an annual invitation to bid and a resulting annual award of the license plate contract. Being awarded the contract in a given year did not give rise to any right or interest in future State contracts, which were entirely independent matters. While plaintiff may have had "an abstract concern" in being awarded the 1979 license plate contract, it certainly did not have a legally protectable property interest and, absent such an interest, a prospective government contractor's bid does not trigger due process safeguards.

Nor are we persuaded by *Gonzalez* v. *Freeman* (D. C. Cir. 1964), 334 F. 2d 570. In *Gonzalez,* the plaintiff corporation, which had a record of contractual relations with the Commodity Credit Corporation for a number of years, was temporarily debarred from doing business with Commodity Credit. Plaintiff was not given any grounds for the five-year debarment and was not provided an opportunity for a hearing. Although the court did determine that the plaintiff was entitled to some procedural safeguards, including notice of specific charges and an opportunity to present evidence and to cross-examine adverse witnesses, this finding was based solely upon an interpretation of the Commodity Credit Corporation Charter Act (15 U. S. C. sec. 714 (1970)) and the Administrative Procedure Act (5 U. S. C. sec. 551 *et seq.* (1970)). In fact, the court explicitly refrained from deciding the constitutional question of whether the debarment violated the plaintiff's right to due process. Consequently, *Gonzalez* is neither controlling nor persuasive here.

Section 10.1 clearly was enacted by the legislature in an effort to insure that those individuals and corporations who have demonstrated a lack of integrity in the past when dealing with the State not be permitted to transact business with the State in the future. While the statute certainly deals effectively with those individuals and businesses who have bribed or attempted to bride State officials or employees, it cannot be said to deprive prospective government contractors of due process since those bidders have no recognized property rights in future government contracts in Illinois.

Nor do we think that this statute suffers from any of the other constitutional infirmities suggested by plaintiff. It is argued, for example, that section 10.1 is unconstitutionally vague and constitutes an invalid delegation of legislative power to an administrative official. Plaintiff specifically objects to the statutory phrases "business entity," "in that officer or employee's official capacity," "admission of guilt," "matter of record," and "direction or authorization of a responsible official."

It is clear that due process of law "requires that an act shall not be vague, indefinite or uncertain, and must provide sufficient standards to guide the administrative body in the exercise of its functions." (*People ex rel. Stamos* v. *Public Building Com.* (1968), 40 Ill. 2d 164, 174.) The standard which we have applied in the past in determining whether a statute is unconstitutionally vague is whether the terms of the statute are so vague that persons of common intelligence must necessarily guess at its meaning and differ as to its application. (*People* v. *Palkes* (1972), 52 Ill. 2d 472, 475; *Hershey Manufacturing Co.* v. *Adamowski* (1961), 22 Ill. 2d 36, 43-44.) We do not believe that section 10.1 is such a statute. Although the phrases which plaintiff objects to are not defined in the statute, they seem to be commonly used and understood words. We do not think it can be said that persons of common intelligence would have to guess at the meaning of such everyday words as "business entity" or "admission of guilt."

Nor do we think that this statute invalidly delegates legislative power to an administrative official. As this court stated in *Hill* v. *Relyca* (1966), 34 Ill. 2d 552, 555:

> "Absolute criteria whereby every detail necessary in the enforcement of a law is anticipated need not be established by the General Assembly. The constitution merely requires that intelligible standards be set to guide the agency charged with enforcement * * *."

More specifically, we held in *Stofer* v. *Motor Vehicle Casualty Co.* (1977), 68 Ill. 2d 361, 372, that, in delegating its authority, the legislature must "provide sufficient identification of the following:

> (1) The *persons* and *activities* potentially subject to regulation;
>
> (2) The *harm* sought to be prevented; and
>
> (3) The general *means* intended to be available to the administrator to prevent the identified harm."

We believe that section 10.1 clearly satisfies these requirements and, therefore, precludes the type of unbridled agency discretion feared by plaintiff.

Furthermore, we reject plaintiff's contention that section 10.1 is being applied retrospectively in violation of plaintiff's constitutional rights. Plaintiff relies upon section 4 of the Illinois statutory construction act, which provides:

> "No new law shall be construed * * * in any way whatever to affect any such offense or act so committed or done, or any penalty, forfeiture or punishment so incurred * * * before the new law takes effect * * *." (Ill. Rev. Stat. 1975, ch. 131, par. 4.)

Plaintiff argues that by refusing to award the 1979 license plate contract to Polyvend because of Stolz' 1974 conviction, the State is violating section 4 of the statutory construction act and is ignoring numerous Illinois decisions which require new statutes to apply prospectively only. We do not agree.

First of all, section 10.1 was not, in our judgment, applied retroactively to plaintiff. The Act became effective on October 1, 1977, and was applied prospectively to future procurement decisions. While the law did take cognizance of past acts, it did not affect procurement decisions occurring prior to October 1, 1977. Secondly, section 4 of the statutory construction act only protects "vested rights." (*Orlicki* v. *McCarthy* (1954), 4 Ill. 2d 342, 346.) As we concluded in the context of plaintiff's procedural due process argument, plaintiff does not have a vested right to future government supply contracts. Absent such an interest, plaintiff's argument that the statute violates section 4 of the statutory construction act fails.

Finally, plaintiff contends that section 10.1 is an unconstitutional bill of attainder. A bill of attainder has been defined as "a legislative act which inflicts punishment without a judicial trial." (*United States* v. *Lovett* (1946), 328 U. S. 303, 315, 90 L. Ed. 1252, 1259, 66 S. Ct. 1073, 1078.) We do not think that

section 10.1 of the Illinois Purchasing Act can be called a bill of attainder. There clearly was a judicial determination of guilt concerning a controlling shareholder and official of the corporation when Stoltz was convicted of bribery in 1974. The legislative act, section 10.1, simply attributed his guilt to the corporation. This is no different than any other civil or criminal provision which holds a corporation responsible for the acts of its officials. The only way a corporation can act is through its officers, directors and employees.

A similar problem was addressed by the United States Supreme Court in *DeVeau* v. *Braisted* (1960), 363 U. S. 144, 4 L. Ed. 2d 1109, 80 S. Ct. 1146. In that case, union officials and others challenged the constitutionality of a section of the New York Waterfront Commission Act which provided that no person could solicit or receive dues on behalf of any waterfront union if an officer of such union had been convicted of a felony. As a result of the Act, the International Longshoremen's Association was denied dues solicitation and collection privileges because of an officer's conviction of a felony 36 years earlier. The court, considering the claim that the Act was unconstitutional as a bill of attainder and as an *ex post facto* law, stated:

> "Finally, section 8 of the Waterfront Commission Act is neither a bill of attainder nor an *ex post facto* law. * * * Clearly, section 8 embodies no further implications of appellant's guilt than are contained in his 1920 judicial conviction; * * *. The question in each case where unpleasant consequences are brought to bear upon an individual for prior conduct, *is whether the legislative aim was to punish that individual for past activity, or whether the restriction of the individual comes about as a relevant incident to a regulation of a present situation* * * *. The proof is overwhelming that New York sought not to punish ex-felons, but to devise what was felt to be a much-needed scheme of regulation of the waterfront * * *." (Emphasis added.) (363 U. S. 144, 160, 4 L. Ed. 2d 1109, 1120, 80 S. Ct. 1146, 1155.)

Similarly, section 10.1 was devised as a much needed regulation of government procurement policies and cannot be said to constitute a bill of attainder.

Plaintiff's allegation that section 10.1 violates numerous other constitutional guarantees of one who is criminally accused does not merit discussion. Section 10.1 is a civil statute and plaintiff is not being accused of criminal activity.

This statute, like all others, is presumed to be a valid enactment and the burden is on the party challenging it to establish its constitutional invalidity. (*Jaris* v. *Public School Teachers' Pension and Retirement Fund* (1974), 58 Ill. 2d 15, 19.) In our judgment that burden has not been met. Accordingly, we hold that section 10.1 does not violate any of the constitutional guarantees asserted by plaintiff.

The judgment of the appellate court is accordingly reversed and that of the circuit court is affirmed.

Appellate court reversed;
circuit court affirmed.

MR. JUSTICE CLARK, concurring:

I concur in the result. I do not concur in the majority's view that the *opportunity to bid* is not a protectable property interest necessitating minimal due process guarantees. The majority incorrectly characterizes plaintiff's asserted property interest here as a " 'claim of entitlement' to the future State contract involved herein" (slip op. at 4). That is not the situation at all. Of course plaintiff is not entitled to a future State contract; but plaintiff's claimed property interest, requiring due process protection, is the *opportunity* to bid—not entitlement to have the bid accepted.

I agree that *Bio-Medical Laboratories, Inc.* v. *Trainor* (1977), 68 Ill. 2d 540, 546, and *Gonzalez* v. *Freeman* (D. C. Cir. 1964), 334 F. 2d 570, 574, are not persuasive. However, *Perkins* v. *Lukens Steel Co.* (1940), 310 U. S. 113, 125, 84 L. Ed. 1108, 1114, 60 S. Ct. 869, 876, is also inappropriate. These three cases were all initially concerned with standing,

which is not an issue here (and which encompasses a lower standard for determination). Moreover, *Bio-Medical* and *Gonzalez* both involved interruption of an existing or continuing relationship, which does not exist here (where the Illinois Department of Administrative Services (hereafter Department) *annually invites* bids to manufacture license plates and could reject any and all bids (Ill. Rev. Stat. 1977, ch. 127, par. 132.4)). Also, *Gonzalez* and *Bio-Medical* were not decided on the basis of due process.

To determine whether due process guarantees are applicable to the circumstances here, as the majority correctly points out, the first step is to establish the existence of a protectable property interest. In *Board of Regents* v. *Roth* (1972), 408 U. S. 564, 577, 33 L. Ed. 2d 548, 561, 92 S. Ct. 2701, 2709, the Supreme Court stated:

> "Property interests, of course, are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source *such as state law*—rules or understandings that secure certain benefits and that support claims of entitlement to those benefits." (Emphasis added.)

(Accord, *e.g.*, *Perry* v. *Sindermann* (1972), 408 U. S. 593, 602 n. 7, 33 L. Ed. 2d 570, 580 n. 7, 92 S. Ct. 2694, 2700 n. 7; *Bishop* v. *Wood* (1976), 426 U. S. 341, 344, 48 L. Ed. 2d 684, 690, 96 S. Ct. 2074, 2077. See *Mackey* v. *Montrym* (1979), ... U. S. ....., ... L. Ed. 2d ....., 99 S. Ct. 2612.) Analysis of both Illinois statutory and common law compels the conclusion that a right to bid, or more precisely the right to an equal opportunity to bid, protected by due process if denied, exists. The Illinois Purchasing Act provides:

> "It is the purpose of this Act and is hereby declared to be the policy of the State that the principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts by or for any State Agency." (Ill. Rev. Stat. 1977, ch. 127, par. 132.2.)

Again, it provides:

> "That all purchases, contracts and expenditure of funds shall be awarded to the lowest responsible bidder considering conformity with specifications, terms of delivery, quality and serviceability * * *." (Ill. Rev. Stat. 1977, ch. 127, par. 132.6(a).)

The primary purpose of these provisions no doubt is to benefit the State; a secondary purpose, but no less important, is to permit anyone, who is responsible and qualified, to compete for a contract. (See *Dement* v. *Rokker* (1888), 126 Ill. 174, 194-97.) In the absence of statute, the State, of course, "could let contracts without competitive bidding." (*Inskip* v. *Board of Trustees* (1962), 26 Ill. 2d 501, 512; *Bohleber* v. *Carmi Township Hospital* (1975), 30 Ill. App. 3d 969, 974.) Once a statute provides for competitive bidding, as does the Illinois Purchasing Act here, a prospective bidder may not simply be denied the opportuntiy to bid. On this basis, the instant case is distinguishable from *Perkins* v. *Lukens Steel Co.* (1940), 310 U. S. 113, 84 L. Ed. 1108, 60 S. Ct. 869, above, and distinct from the State's rights under section 4 of the Illinois Purchasing Act: "Any and all bids may be rejected * * *." (Ill. Rev. Stat. 1977, ch. 127, par. 132.4.) *Perkins* held that the status of bidder does not result in an interest sufficient to challenge legitimate government regulations a prospective contractor must comply with; and section 4 does not compel the State to accept a bid. Here, however, plaintiff, or any prospective bidder, under section 10.1 of the Illinois Purchasing Act (Ill. Rev. Stat. 1977, ch. 127, par. 132.10-1), would not even be permitted to acquire the status of bidder (*Perkins*) and would be prevented from submitting a bid (which can then be rejected). Several older cases of this court have held that the statutory requirement of competitive bidding "necessarily implies equal opportunity to and freedom in all whose interests or inclinations might thus impel them to compete at the bidding." (*Dement* v. *Rokker* (1888), 126 Ill. 174, 196. Accord, *Holden* v. *City of Alton* (1899), 179 Ill. 318, 324, and *Callaghan & Co.* v. *Smith* (1922), 304 Ill. 532,

540-41.) The opportunity to bid on a government contract, therefore, is a property right, protected from unfair competition and interference by the State without due process.

By implication, the State's argument that plaintiff has not been permanently debarred, or that section 10.1 does not effect such a result, is mistaken. The State asserts that the bid for only a single contract was rejected, thus implying plaintiff should try again "next year." The record establishes that *one reason* the bid was rejected was section 10.1, set out in full in the majority opinion (slip op. at 1). Section 10.1's language is: "No person or business entity shall be awarded a contract * * *." The language used is in the nature of a universal denial with no time period or limitation on such preclusion set out.

It is true, as plaintiff maintains, that section 10.1 (Ill. Rev. Stat. 1977, ch. 127, par. 132.10-1) provides for no notice and hearing or other recourse. However, a statute, constitutionally defective in this respect, may be cured by administrative regulations. (*Bell* v. *Burson* (1971), 402 U. S. 535, 542-43, 29 L. Ed. 2d 90, 96, 91 S. Ct. 1586, 1591; accord, *Pollion* v. *Lewis* (N. D. Ill. 1971), 332 F. Supp. 777, 778-79.) The Department's "Purchasing Rules and Regulations Covering Procurement of Commodities, Equipment, Printing, Purchases from Small Businesses, and Guidelines for Procurement of Printing Paper, Stationery and Envelopes" (hereafter Rules) provides for "Rights to Appeal":

> "Any decision rendered by the Procurement Division, Department of General Services [now Department of Administrative Services] pursuant to these Purchasing Rules and Regulations may be appealed to the Director of General Services by filing with him a written statement setting forth all the facts and circumstances together with the basis for making such appeal." (Rules, pt. 1, sec. 28.)

(Plaintiff did *not* pursue this appeals route.) Whether this "appeal" is sufficient for due process purposes must be subjected to analysis. Plaintiff denies the Rules' section 28 appeal is suffi-

cient as a "hearing," denies it is adequate because it occurs subsequent to a decision of debarment, and denies it is even correctly applicable to the instant case because the decision here was pursuant, at least partially, to section 10.1 of the Illinois Purchasing Act rather than wholly pursuant to the Rules.

United States Supreme Court decisions, primarily in this decade (beginning with *Goldberg* v. *Kelly* (1970), 397 U. S. 254, 25 L. Ed. 2d 287, 90 S. Ct. 1011), have shown a propensity towards requiring "some kind of hearing * * * at some time before a person is finally deprived of his property interests." (*Wolff* v. *McDonnell* (1974), 418 U. S. 539, 557-58, 41 L. Ed. 2d 935, 952, 94 S. Ct. 2963, 2975.) What kind of hearing, its nature or the extent of its proceedings has not been clarified by that court. Indeed, the decisions, except in applying their rationales to the facts before them, have been vague, even tolerantly inconsistent—perhaps of necessity given the multitude of circumstances in which due process attaches. (*E.g.*, contrast *Wolff* v. *McDonnell* (1974), 418 U. S. 539, 41 L. Ed. 2d 935, 94 S. Ct. 2963, *Mitchell* v. *W. T. Grant Co.* (1974), 416 U. S. 600, 40 L. Ed. 2d 406, 94 S. Ct. 1895, and *Arnett* v. *Kennedy* (1974), 416 U. S. 134, 40 L. Ed. 2d 15, 94 S. Ct. 1633, with *Goldberg* v. *Kelly* (1970), 397 U. S. 254, 25 L. Ed. 2d 287, 90 S. Ct. 1011, *Boddie* v. *Connecticut* (1971), 401 U. S. 371, 28 L. Ed. 2d 113, 91 S. Ct. 780, and *Mathews* v. *Eldridge* (1976), 424 U. S. 319, 47 L. Ed. 2d 18, 96 S. Ct. 893. See Friendly, *Some Kind of Hearing*, 123 U. Pa. L. Rev. 1267, 1274 (1975) (hereafter Friendly).) What the Supreme Court has consistently said is that the process due or procedural requisites for a hearing may vary according to the government function and interest involved, the private interest affected by the government action, and the nature of the proceedings; due process in one case may not be satisfactory in another. (*Wolff* v. *McDonnell* (1974), 418 U. S. 539, 560, 41 L. Ed. 2d 935, 953, 94 S. Ct. 2963, 2977; *Bell* v. *Burson* (1971), 402 U. S.

535, 540, 29 L. Ed. 2d 90, 95, S. Ct. 1586, 1589; *Boddie* v. *Connecticut* (1971), 401 U. S. 371, 378-79, 28 L. Ed. 2d 113, 119, 91 S. Ct. 780, 786; *Goldberg* v. *Kelly* (1970), 397 U. S. 254, 263, 25 L. Ed. 2d 287, 296, 90 S. Ct. 1011, 1018.) Due process " 'is not a technical conception with a fixed content unrelated to time, place and circumstances' " but " 'is flexible and calls for such procedural protections as the particular situation demands.' " (*Mathews* v. *Eldridge* (1976), 424 U. S. 319, 334, 47 L. Ed. 2d 18, 33, 96 S. Ct. 893, 903.) According to *Mathews*, this necessitates "consideration of three distinct factors: first, the private interest that will be affected by the official action; second, the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and finally, the Government's interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail." 424 U. S. 319, 335, 47 L. Ed. 2d 18, 33, 96 S. Ct. 893, 903. See Friendly, 123 U. Pa. L. Rev., 1278; and K. Davis, Administrative Law of the Seventies 266-68 (1976).

The private interest affected here, of course, is plaintiff's right to have the opportunity to bid. As is clear from the cases above, the importance of the right affected has a bearing on the adequacy of the hearing available. Plaintiff's right is not in the nature of a deprivation of personal or real property; nor is it a deprivation of liberty; nor is plaintiff's right to do business interfered with. (There is, of course, no "right" to State contracts (Ill. Rev. Stat. 1977, ch. 127, par. 132.4; *Gonzalez* v. *Freeman* (D. C. Cir. 1964), 334 F. 2d 570, 574).) Plaintiff undoubtedly would not discourage anyone from perceiving its loss of the right to present a bid as a loss of a $10 million contract. However, the loss is strictly only the prevention of participation in competition (for bids), the outcome of which is uncertain. The right which plaintiff possesses then is only to compete with others for a contract. It has no expectation of

receiving the contract. If the bidder is *notified* by letter, as here, that its bid is denied pursuant to section 10.1 of the Illinois Purchasing Act, the result is the loss of only that contract for that year—before a party may avail itself of section 28 of the Rules. If the Department has erred, section 28 provides the mechanism for correction. If the Department has not erred, the bidder is debarred permanently. I believe the deprivation here is much less severe than deprivation involving loss of livelihood, liberty or profession (*Goldberg, Wolff and Bell* respectively).

The "risk of an erroneous deprivation" (*Mathews* v. *Eldridge* (1976), 424 U. S. 319, 335, 47 L. Ed. 2d 18, 33, 96 S. Ct. 893, 903), pursuant to section 10.1 of the Illinois Purchasing Act and under the Rules' section 28 "hearing" is minimal. Supreme Court decisions in this decade do not dictate the type of hearing and extent of proceedings required. Judge Friendly of the Second Circuit United States Court of Appeals has written:

> "The term 'hearing,' like 'jurisdiction,' is 'a verbal coat of too many colors.' Professor Davis has defined it as 'any oral proceeding before a tribunal.' Broad as that definition is, it may not be broad enough. Although the term 'hearing' has an oral connotation, I see no reason why in some circumstances a 'hearing' may not be had on written materials only." (Friendly, 123 U. Pa. L. Rev. 1267, 1270.)

Section 28 is just such a circumstance, since the risk of error is not great. I appreciate the concern about the margin of error, but disagree that the margin is substantial, and note that section 28 allows for just such margin of error. First of all, the conviction or admission of guilt would be a matter of public record. Second, the Department would have access to bidding documents and corporate charters to lessen the possibility of error. Third, whatever denial of association between the corporation and guilty party and roles played by either, whatever extenuating circumstances, whatever explanation or justification a debarred bidder wishes to present to the Director could be adequately and competently done in the "written statement" permitted by the Rules' section 28. Beyond this I do not see what a hearing of the nature urged by plaintiff, or additional or substitute safeguards, would accomplish. (See *People ex rel. Scott* v. *Illinois Racing Board* (1973), 54 Ill. 2d 569, 577-78, where a statute, permitting summary disqualification for a harness racing license on the basis of pending criminal charges, was construed; the license applicant was found to be "clearly disqualified.")

I perceive the government's interest to be substantial. The State is concerned with efficiently and effectively making its purchases. Necessarily, delaying the award of a bid, pending a hearing to determine whether a bidder should be permanently debarred, makes no sense because the State must expedite the award on behalf of the public. Moreover, the State should keep public funds free from any impropriety, even the appearance of impropriety. Additional or substitute proceedings would add administrative and financial burdens which are unwarranted and unnecessary. Application of the *Mathews* test sustains the sufficiency of the Rules' section 28 hearing or appeal.

Plaintiff also argues that the hearing is required *before* a right is permanently deprived and cites *Fuentes* v. *Shevin* (1972), 407 U. S. 67, 32 L. Ed. 2d 556, 92 S. Ct. 1983. As the circumstances exist here, I disagree. First, since a bidder's interest in getting a contract is no greater than another bidder's interest in *a given* competition for the manufacture of one year's license plates and since the State may reject any and all bids, including the lowest bid, there is no harm in holding the Rules' section 28 appeal subsequent to the rejection of the bid. Second, as noted above, the margin of error is limited. Third, later Supreme Court cases have qualified the "requirement" of holding a hearing before the deprivation of a right. *Mitchell* v. *W. T. Grant Co.* (1974), 416 U. S. 600, 611, 40 L. Ed. 2d 406, 415, 94 S. Ct. 1895, 1902, held that a "hearing must be had before one is *finally* deprived" of a property interest (emphasis added). Postponement of an inquiry is not violative of due process where an ultimate determination will be had. (Judge

Friendly's opinion in *Frost* v. *Weinberger* (2d Cir. 1975), 515 F. 2d 57, 66-68, is essentially in accord. Accord, K. Davis, Administrative Law of the Seventies 268-72 (1976). Contra, *Mattern* v. *Weinberger* (3d Cir. 1975), 519 F. 2d 150.) *Barry* v. *Barchi* (1979), ... U. S. ....., ..., ... L. Ed. 2d ....., ..., 99 S. Ct. 2642, 2649, noted that where a State's interest is substantial, and so long as a party's interest is not "baselessly compromised," a post-suspension hearing on the deprivation of a property interest can pass constitutional muster.

Plaintiff contends, too, that the Rules' section 28 is applicable only where the decision made by the Department is "pursuant to these Purchasing Rules." Because here the decision to reject was, at least partially, pursuant to section 10.1 of the Illinois Purchasing Act, section 28's appeal route is unavailable, plaintiff maintains. We find that argument involves semantics at best, frivolity at worst. *All* decisions, apropos of the purchase of commodities and equipment on behalf of the State, are made pursuant to the Rules. This is clear from the statute requiring promulgation of the Rules:

> "*All* purchases, contracts or other obligation or expenditure of funds by any State agency shall be in accordance with rules and regulations governing such State agency procurement practices and procedures which it shall promulgate and publish in sufficient number for distribution to persons interested in bidding on purchases or contracts to be let by such State agency." (Emphasis added.) (Ill. Rev. Stat. 1977, ch. 127, par. 132.5.)

The rejection of a bid, even on the basis of section 10.1 of the Illinois Purchasing Act, is a decision apropos of the purchase of commodities and equipment on behalf of the State. The language of section 17 of the Rules, "Grounds for Rejection of Bids," is not exclusive (especially subsections (a) and (c)).

For these reasons I am able to concur in the result of the majority's opinion but not in the reasoning. Plaintiff had a protectable property interest (which it should not lose without benefit of due process).

No. 51011

IN THE SUPREME COURT OF ILLINOIS

Polyvend, Inc., a corporation, *Plaintiff-Appellee,* *vs.* Theodore Puckorius, individually and as Director of Administrative Services, and the Illinois Department of Administrative Services, *Defendants-Appellants.*	Appeal from the Appellate Court of Illinois, First District No. 77-1740. There Heard on Appeal from the Circuit Court of Cook County, Illinois. Honorable Arthur L. Dunne, Presiding.

NOTICE OF APPEAL TO THE SUPREME COURT OF THE UNITED STATES

To: Honorable William J. Scott
Attorney General, State of Illinois
c/o Mr. Michael J. Hayes,
Assistant Attorney General
160 North LaSalle Street
Room 850
Chicago, Illinois 60601

Notice Is Hereby Given that Polyvend, Inc., the above-named plaintiff-appellee, hereby appeals to the Supreme Court of the United States from the final judgment of the Supreme Court of Illinois affirming the denial of summary judgment and other relief to plaintiff-appellee and the grant of summary judgment to defendants-appellants, entered in this action on October 2, 1979.

This appeal is taken pursuant to 28 U. S. C. § 1257(2).

POLYVEND, INC., a corporation
By /s/ FORAN, WISS AND SCHULTZ,
Foran, Wiss and Schultz
Counsel for plaintiff-appellee

Of Counsel:
Richard G. Schultz
FORAN, WISS & SCHULTZ
30 North LaSalle Street
Suite 3010
Chicago, Illinois 60602
Telephone: (312) 368-8330

Received November 20, 1979
Clerk Supreme Court

State of Illinois }
County of Cook } ss.

PROOF OF SERVICE

Lynn DiLiberto, being first duly sworn on oath, deposes and states that a copy of the foregoing Notice of Appeal to the Supreme Court of the United States was served on all parties required to be served, including the following:

Honorable William J. Scott
Attorney General, State of Illinois
c/o Mr. Michael J. Hayes
Assistant Attorney General
160 North LaSalle Street
Room 850
Chicago, Illinois 60601

by depositing the same in the U. S. mail chute at 30 North LaSalle Street, Chicago, Illinois, with proper first class postage prepaid, addressed to counsel of record at his post office address, on the 14th day of November, 1979.

/s/ Lynn DiLiberto

Subscribed and Sworn to before me this 14th day of November, 1979.

/s/ Colleen M. Mahoney
Notary Public

My Commission Expires May 12, 1982.